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SUBJECT: IRAN REMAINS DUBAI'S LARGEST EXPORT/RE-EXPORT MARKET

CLASSIFIED BY: Jason L. Davis, Consul General, Dubai, UAE.

REASON: 1.4 (b), (e)

1.(U) 2005 Statistics released by the Dubai Chamber of Commerce and Industry (DCCI), based on Certificates of Origin (COs) issued by DCCI, indicate that Iran remained Dubai's largest export/re-export market in 2005, with COs worth AED 28.7 billion (approx. 7.8 billion USD) issued. This represents a seven percent increase over 2004. Exports to Iran constituted 30 percent of overall CO amounts in 2005, which totaled AED 96.1 billion (approx. 26.2 billion USD). DCCI researchers believe COs capture roughly 75 percent of total exports/re-exports. They omit free zone-manufactured exports to GCC countries, which are handled separately by the Ministry of Economy. DCCI data does not track the type of cargo, but rather the companies, destinations and value of the cargo.

2.(C) Dr. Belaid Rettab, Chief Researcher at DCCI, told PolEconoff the data was not surprising because Iran is a very important trading partner for Dubai and "will remain the focal point" of Dubai trade. He said a 33 percent increase from 2004 to 2005 in the value of COs issued for Saudi Arabia -- AED 18.7 billion (approx. 5.1 billion USD) in 2005 -- may be an aberration, and in any event would not be sustainable in the long term; thus, trade with Saudi -- the second largest destination after Iran -- does not threaten to overtake trade with Iran in the foreseeable future. Although Rettab believes trade with GCC states will continue to increase, he thought the 60 percent leap recorded in trade with Qatar -- AED 5.8 billion (approx. 1.6 billion USD) in 2005 -- would likewise not be sustained over time.

3.(U) Note: At least two news outlets in Iran, Fars News Agency and Iran Daily, published the DCCI data incorrectly, mistaking AED for dollars and claiming Iran had imported 28.7 billion dollars (rather the actual amount of 28.7 billion dirhams or USD 7.8 billion) worth of goods from Dubai in 2005.

Comment

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4.(C) Most observers agree that Dubai has benefited economically from US sanctions on Iran, with Dubai serving as an intermediary point for U.S. goods (or goods with US components) that cannot be exported directly from the U.S. to Iran. (Often it is Iranians who set up offices in Dubai to conduct trade that could not, under US sanctions, be conducted from Iran.) Meanwhile Iranian capital, fleeing Iran's economic woes (themselves

triggered in part by US sanctions, as well as by Iran's own economic policies), continues to flow to Dubai.

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